

**SALT LAKE CITY  
SUBURBAN SANITARY DISTRICT #1**

**FINANCIAL STATEMENTS**

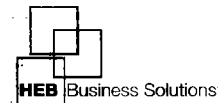
**DECEMBER 31, 2005 AND 2004**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**  
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## REPORT OF INDEPENDENT AUDITORS

### To the Board of Trustees of Salt Lake City Suburban Sanitary District #1

We have audited the accompanying basic financial statements of Salt Lake City Suburban Sanitary District #1 as of December 31, 2005 and 2004, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

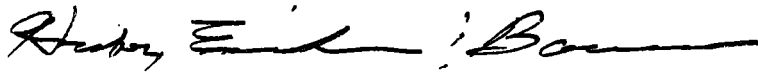
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake City Suburban Sanitary District #1 as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

In accordance with Government Auditing Standards, we have also issued a report dated March 15, 2006 on our consideration of Salt Lake City Suburban Sanitary District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Board of Trustees of  
Salt Lake City Suburban Sanitary District #1  
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Management's discussion and analysis, which follows this report, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



HUBER, ERICKSON & BOWMAN, LLC.  
Salt Lake City, Utah  
March 15, 2006

## **SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**

### **Management's Discussion and Analysis**

**December 31, 2005 and 2004**

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As management of the Salt Lake City Suburban Sanitary District No. 1 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes to enhance their understanding of the District's financial activities.

### **History and Background of District**

The District was formed in 1946 by the Salt Lake County Commission under state statutes as a Special Service District with authority to levy taxes, issue bonds, and construct a sewage collection and treatment system. Since major construction in 1954 the District has operated its own sewage transmission lines and treatment facility until 1978 when the District entered into an Interlocal Agreement with four other special service districts and two cities to create the Central Valley Water Reclamation Facility (CVWRF), a regionalized wastewater treatment facility in which the District owns a 24% undivided interest.

Today the District collects wastewater from a service area with boundaries on the north of approximately 2700 South from the Jordan River east to the mountains and on the south from the Jordan River at about 4100 South east on a diagonal to Highland Drive and 6200 South and then east to the mountains. This service area encompasses parts of unincorporated Salt Lake County, approximately half of The City of South Salt Lake, The City of Holladay, and a small portion of Murray City, thus serving a population of approximately 160,000 residents. The District owns, operates and maintains 8,783 manholes and 369.5 miles of sewer collection lines, which convey and deliver wastewater for treatment to the CVWRF located at 800 West Central Valley Road in the City of South Salt Lake.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$47,980,132 (total net assets). Of this amount, \$12,323,831 (District #1 Capital Assets) and the \$27,803,141 Investment in CVWRF Joint Venture (therefore classified as an Unrestricted Asset), represent land, wastewater collection and treatment systems, buildings, vehicles and equipment. The remaining \$7,853,160 of Unrestricted Net Assets primarily consist of operating cash and investment reserves maintained for emergencies, major repair and replacements, and capital projects. These reserves are also maintained in-lieu of funding depreciation and may be used to meet the District's obligations to citizens and creditors.

## **SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**

### **Management's Discussion and Analysis**

**December 31, 2005 and 2004**

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- ▶ The District's total net assets decreased by \$1,340,154, primarily attributable to depreciation of the District's capital assets and the capital assets of its investment in CVWRF joint venture. Depreciation is an unfunded non-cash expense.
- ▶ The District's total liabilities increased by \$6,174,753 during the current fiscal year. This increase is primarily the result of bond fund draws made by CVWRF for which the District is obligated to repay.

#### **Overview of the Financial Statements**

The District operates and accounts for its activities as an enterprise fund which is similar to a private business enterprise.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of the District.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

#### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

#### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$47,980,132 as of December 31, 2005.

The largest portion of the District's net assets, 75%, reflects unrestricted net assets. The District's investment in CVWRF joint venture represents 73% of unrestricted net assets. The remaining portion of the District's net assets, 25%, reflects net assets invested in capital assets (e.g., land, buildings, machinery, and equipment). The District uses the capital assets and its investment in CVWRF joint venture to provide services to citizens and, consequently, these assets are not available for future spending since the assets themselves cannot be liquidated.

**Salt Lake City Suburban Sanitary District No. 1 Net Assets**

	2005	2004
Current and other assets	\$43,085,442	\$37,704,384
Capital assets (net of accumulated depreciation)	12,323,831	12,870,290
Total assets	55,409,273	50,574,674
Long-term liabilities outstanding	6,157,011	185,429
Other liabilities	1,272,130	1,068,959
Total liabilities	7,429,141	1,254,388
Net assets:		
Invested in capital assets, net of related debt	12,323,831	12,870,290
Unrestricted	35,656,301	36,449,996
Total net assets	\$47,980,132	\$49,320,286

As explained earlier, the District's net assets decreased by \$1,340,154 during the current fiscal year. This decrease is a reflection of the District's policy of not funding depreciation.

Key elements of the change in net assets are as follows:

**Salt Lake City Suburban Sanitary District No. 1 Changes in Net Assets**

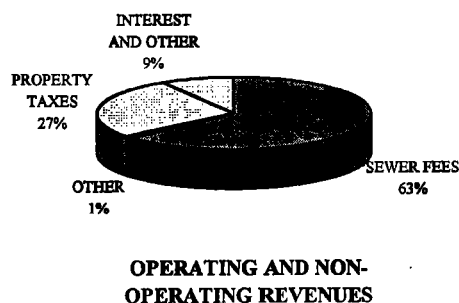
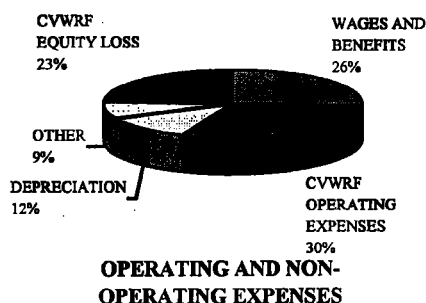
	2005	2004
Operating Revenues:		
Sewer fees	\$3,579,103	\$2,456,466
Other	56,829	51,356
Total operating revenues	3,635,932	2,507,822

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Management's Discussion and Analysis****December 31, 2005 and 2004****Page 6**

	2005	2004
Operating Expenses:		
Wages and employee benefits	1,910,913	1,772,894
Operating expenses from CVWRF joint venture	2,217,362	2,159,282
Depreciation	843,193	813,575
Other	623,254	712,672
Total operating expenses	5,594,722	5,458,423
Net loss from operations	(1,958,790)	(2,950,601)
Non-Operating Revenues (Expenses):		
County property taxes	1,518,366	1,529,984
Interest income (expense) and other	472,345	244,909
Equity in loss from CVWRF joint venture	(1,716,568)	(1,595,134)
Total non-operating revenues (expenses)	274,143	179,759
Capital Contributions:		
Capacity fees	280,705	381,465
Developer contributed sewer lines	63,788	30,158
Total capital contributions	344,493	411,623
Decrease in net assets	(1,340,154)	(2,359,219)
Net assets – Beginning	49,320,286	51,679,505
Net assets – Ending	\$47,980,132	\$49,320,286

- ▶ Sewer fees increased by \$1,122,637 or 45.5%. The increase is attributable to an increase in the user charges in 2005 from \$4.00 to \$6.00 and the number of new connections in 2005 totaling 326.
- ▶ Property taxes decreased by \$11,618 or .07%. The decrease is due to a slight decrease in the County's tax base.
- ▶ Interest income from investments increased by \$340,790. The increase is the result of interest received from bond revenue invested and a slight increase in interest rates.
- ▶ Equity loss from CVWRF joint venture consists primarily of depreciation. The District's depreciation on its capital assets as well as the District's portion of CVWRF joint venture depreciation is \$2,357,151 for the year ended December 31, 2005 which is the primary reason for the decrease in net assets.
- ▶ Capital contributions decreased by \$67,130 or 17%. The decrease is mostly attributable to a decrease in capacity fees.





### **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Service and Budgetary Highlights**

During 2005, the District collected and treated at CVWRF 5.9 billion gallons of wastewater removing almost 4,000 dry tons of organic pollutants measured by the consumption of oxygen by bacteria (BOD) and another 4,000 tons of suspended solids (TSS). This represents a daily average of 16.09 million gallons per day of wastewater and 21,700 pounds per day each of BOD and TSS. This waste stream was generated by 26,802 billing accounts using 50,472 monthly units of service, a service unit being based on the wastewater and domestic pollutant load discharged by an average residence each month.

This service effort includes personnel for maintenance operations, engineering and inspection for construction compliance, industrial discharge pretreatment coordination, clerical, accounting and administration. This staff of 23 full-time and 1 part-time employees is governed by a three member Board of Trustees. Annual funding of operations is the result of adopting an annual budget after a public hearing. The budget is maintained on a cash basis. The following schedule summarizes the original budget, the amended budget, the actual and the variance:

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Management's Discussion and Analysis****December 31, 2005 and 2004****Page 8****Salt Lake City Suburban Sanitary District #1****Budget vs. Actual****(Cash Basis)****Year Ended December 31, 2005**

	2005 Budget (Original)	2005 Budget (Amended)	Actual	Variance from Amended
<b>Revenues:</b>				
Operating revenue	\$ 3,616,719	\$ 3,698,254	\$ 3,716,822	\$ 18,568
Property taxes	1,522,248	1,522,248	1,620,688	98,440
Interest income	525,550	525,550	552,036	26,486
Capacity fees	261,230	315,725	280,705	(35,020)
CVWR facility bond	-	6,210,956	5,599,549	(611,407)
Miscellaneous	58,245	-	-	-
	5,983,992	12,272,733	11,769,800	(502,933)
<b>Expenses:</b>				
Sewer lines	1,243,191	1,365,992	1,295,778	70,214
Pretreatment	99,275	108,565	104,235	4,330
CVWRF facility	2,230,489	2,301,820	2,516,713	(214,893)
CVWR facility additions	391,407	1,928,349	502,849	1,425,500
Administration	739,584	840,219	825,322	14,897
Interest expense	109,268	109,268	-	109,268
Engineering and inspection	359,324	382,133	356,612	25,521
Paying agent	724	840	740	100
Property additions	273,721	213,950	232,946	(18,996)
	5,446,983	7,251,136	5,835,195	1,415,941
<b>Excess (Deficit) of Revenues over Expenses</b>	537,009	5,021,597	5,934,605	913,008
Use of (addition to) District reserves	(537,009)	(5,021,597)	(5,934,605)	(913,008)
<b>Excess of Revenues over Expenses Including Reserves</b>	\$ -	\$ -	\$ -	\$ -

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**  
**Management's Discussion and Analysis**  
**December 31, 2005 and 2004**

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Differences between the final budget and actual for the year 2005 can be briefly summarized as follows:

- ▶ \$ 502,933 unfavorable variance for total revenue
- ▶ \$1,415,941 favorable variance for total expenses
- ▶ \$ 913,008 overall favorable variance

The District's favorable variance for total expenses is due primarily to bond funds used by CVWRF to fund a facility project.

**Capital Assets**

The District's investment in capital assets for its business-type activities as of December 31, 2005, amounts to \$12,323,831 (net of accumulated depreciation). This investment in capital assets includes land, sewer systems, automobiles, and equipment.

**Salt Lake City Suburban Sanitary District No. 1 Capital Assets**  
**(Net of depreciation)**

	2005	2004
Land	\$ 449,836	\$ 449,836
Sewer main	6,171,018	6,107,229
Sewer systems	20,358,692	20,358,692
Office & garage	1,912,984	1,912,984
Furniture & fixtures	860,249	837,264
Automobiles & trucks	1,436,639	1,435,430
Tools & equipment	793,506	711,262
Total	31,982,924	31,812,697
Less accumulated depreciation	(19,659,093)	(18,942,407)
Grand Total	<u>\$ 12,323,831</u>	<u>\$ 12,870,290</u>

**Reserve Funds**

The District held \$14,487,851 in reserves at the end of the current fiscal year. The reserve funds are maintained to provide liquid assets for funding repairs and reconstruction of District-owned infrastructure in the event of catastrophic events, which potentially could affect the District's ability to provide service to its residents.

**Reserve and Fee Structure**

The monthly user charge changed January 1, 2005 from \$4.00 per month to \$6.00 per month. Since the District does not fund depreciation the Board of Trustees has set a reserve amount that the District maintains. (See above statement) The tax rate is .000233.

**Long Term Debt – DWQ Loan**

The Board of Trustees approved and entered into an agreement with CVWRF on April 21, 2005 along with six other local entities that make up CVWRF to obtain a loan from the Utah Division of Water Quality (DEQ) in an amount not to exceed Thirty Five Million Dollars (\$35,000,000). The District's share of the loan is \$7,127,327 or .20363789 percent.

As of December 31, 2005, CVWRF had received proceeds of \$30,500,000 and distributed \$23,000,000 of those proceeds to the member districts. The District's share of the distribution was \$4,408,643. The remaining \$7,500,000 was used by CVWRF to fund a facility project. The District's share of the \$7,500,000 was \$1,802,313. Therefore, the total amount of \$6,210,956 is classified as Due to CVWRF Joint Venture. The first payment (\$445,839) consisting of principal (\$265,249) and interest (\$180,590) is due April 26, 2006.

Terms of the loan are as follows:

1. Rate of 3%, Term 20 years
2. Creation of Reserve Funds: Dedicate existing reserve funds or establish new reserves, or utilize a combination of both for annual repayment of CVWRF loan.
3. Ownership of Reserve Funds: Reserve funds and all interest earned belong to SLCSSD#1.
4. Commitment to Fund: Agree to sufficiently fund all payment and funding requirements by CVWRF.
5. Notice of Cancellation of Reserve: Agrees to provide written notice for elimination or reduction in reserve.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Management's Discussion and Analysis****December 31, 2005 and 2004****Page 11**

Debt service requirements for the District's share of the loan proceeds are as follows:

**DWQ Loan Payment Schedule**

Year	Payment	Principle	Interest
2006	\$ 445,839	\$ 265,249	\$ 180,590
2007	451,262	272,875	178,387
2008	445,112	274,911	170,201
2009	440,937	278,984	161,953
2010	448,859	295,275	153,584
2011-2015	2,238,225	1,608,739	629,486
2016-2020	2,214,012	1,838,850	375,162
2011-2025	1,467,435	1,376,073	91,362
Total	\$ 8,151,681	\$ 6,210,956	\$ 1,940,725

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Salt Lake City Suburban Sanitary District No. 1, Attention: Kerry S. Eppich, General Manager, 3932 South 500 East, Salt Lake City, UT 84107-1895.

## **FINANCIAL STATEMENTS**

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Balance Sheets****December 31, 2005 and 2004****Page 12**

	<b><u>ASSETS</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Current Assets</b>		
Cash	\$ 140,077	\$ 123,284
Investments	8,219,775	2,269,274
Accounts receivable	222,853	235,929
Interest receivable	22,413	12,487
Tax collections receivable	21,299	20,788
Unremitted property liens	41,702	39,834
Prepaid insurance	13,730	-
Inventory-gas, oil, parts	12,101	8,985
<b>Total Current Assets</b>	<b><u>8,693,950</u></b>	<b><u>2,710,581</u></b>
<b>Investments</b>	<b><u>6,268,076</u></b>	<b><u>6,268,076</u></b>
<b>Investment in CVWRF Joint Venture</b>	<b><u>27,803,141</u></b>	<b><u>28,405,452</u></b>
<b>Working Capital Advances to CVWRF Joint Venture</b>	<b><u>320,275</u></b>	<b><u>320,275</u></b>
<b>Capital Assets</b>		
Land	449,836	449,836
Sewer systems and equipment	31,533,088	31,362,861
Less accumulated depreciation	(19,659,093)	(18,942,407)
<b>Net Capital Assets</b>	<b><u>12,323,831</u></b>	<b><u>12,870,290</u></b>
<b>Total Assets</b>	<b><u>\$ 55,409,273</u></b>	<b><u>\$ 50,574,674</u></b>

The accompanying notes are an integral part of these financial statements.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**  
**Balance Sheets (Continued)**  
**December 31, 2005 and 2004**

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**LIABILITIES AND NET ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,801	\$ 52,876
Accounts payable - CVWRF joint venture	271,551	570,902
Payroll and payroll taxes payable	-	10,253
Excess property taxes payable	102,833	-
Deposits	40,424	36,200
Interest payable	119,086	-
Deferred revenue	464,186	398,728
Due to CVWRF Joint Venture - current portion	265,249	-
<b>Total Current Liabilities</b>	<u>1,272,130</u>	<u>1,068,959</u>
<b>Long-Term Liabilities</b>		
Accumulated sick leave	211,304	185,429
Due to CVWRF Joint Venture - long-term portion	5,945,707	-
<b>Total Long-Term Liabilities</b>	<u>6,157,011</u>	<u>185,429</u>
<b>Total Liabilities</b>	<u>7,429,141</u>	<u>1,254,388</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	12,323,831	12,870,290
Unrestricted	35,656,301	36,449,996
<b>Total Net Assets</b>	<u>47,980,132</u>	<u>49,320,286</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 55,409,273</u>	<u>\$ 50,574,674</u>

The accompanying notes are an integral part of these financial statements.



**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended December 31, 2005 and 2004**

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	<b>2005</b>	<b>2004</b>
<b>Operating Revenues</b>		
Sewer fees	\$ 3,579,103	\$ 2,456,466
Inspection fees	3,075	3,200
Nose-on	2,850	3,050
Penalties	40,153	32,771
Miscellaneous operating revenue	10,751	12,335
<b>Total Operating Revenues</b>	<b>3,635,932</b>	<b>2,507,822</b>
<b>Operating Expenses</b>		
Wages and salaries	1,300,925	1,230,470
Employee benefits	609,988	542,424
Truck and auto expense	89,308	74,143
Line repairs and maintenance	153,126	192,106
Supplies	12,776	11,509
Electric power	13,914	12,317
Other utilities	12,460	9,441
Telephone	7,056	8,854
Uniforms	7,464	6,001
Emergency	3,089	2,254
Subscriptions and training	36,940	30,212
Insurance	53,494	77,461
Operating expenses from CVWRF joint venture	2,217,362	2,159,282
Building maintenance	23,654	41,989
Legal services	90,771	139,783
Audit and accounting fees	7,500	7,500
Nose-on expense	3,518	3,341
Blue Stakes	7,000	6,808
District trustee fee and expenses	10,500	10,500
Postage	17,791	17,344
Data processing	26,471	21,039
Depreciation	843,193	813,575

The accompanying notes are an integral part of these financial statements.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**  
**Statements of Revenues, Expenses, and Changes in Net Assets (Continued)**  
**Years Ended December 31, 2005 and 2004**

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	<b>2005</b>	<b>2004</b>
Miscellaneous	14,172	16,760
Professional services	24,000	23,310
Election expenses	8,250	-
<b>Total Operating Expenses</b>	<b>5,594,722</b>	<b>5,458,423</b>
<b>Loss from Operations</b>	<b>(1,958,790)</b>	<b>(2,950,601)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	561,962	221,172
Gain on sale of capital assets	32,691	25,000
County property taxes	1,518,366	1,529,984
Miscellaneous (expense) income	(2,482)	2
Paying agent fees	(740)	(1,265)
Interest expense	(119,086)	-
Equity loss from CVWRF joint venture	(1,716,568)	(1,595,134)
<b>Net Non-Operating Revenues</b>	<b>274,143</b>	<b>179,759</b>
<b>Net Loss Before Capital Contributions</b>	<b>(1,684,647)</b>	<b>(2,770,842)</b>
<b>Capital Contributions</b>		
Capacity fees	280,705	381,465
Developer contributed sewer lines	63,788	30,158
<b>Total Capital Contributions</b>	<b>344,493</b>	<b>411,623</b>
<b>Decrease in Net Assets</b>	<b>(1,340,154)</b>	<b>(2,359,219)</b>
<b>Net Assets - Beginning of Year</b>	<b>49,320,286</b>	<b>51,679,505</b>
<b>Net Assets - End of Year</b>	<b>\$ 47,980,132</b>	<b>\$ 49,320,286</b>

The accompanying notes are an integral part of these financial statements.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Statements of Cash Flows****Years Ended December 31, 2005 and 2004****Page 16**

	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	3,712,597	2,508,635
Payments to vendors	(3,196,664)	(2,548,500)
Payments to employees	<u>(1,895,291)</u>	<u>(1,768,747)</u>
<b>Net Cash Used In Operating Activities</b>	<u>(1,379,358)</u>	<u>(1,808,612)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Property taxes collected	1,620,688	1,556,878
Miscellaneous non-capital items	<u>(3,222)</u>	<u>(1,263)</u>
<b>Net Cash Provided By Non-Capital Financing Activities</b>	<u>1,617,466</u>	<u>1,555,615</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of property and equipment	(232,946)	(225,780)
Cash received for capacity fees	280,705	381,465
Cash received from CVWRF bond proceeds	<u>4,408,643</u>	<u>-</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>4,456,402</u>	<u>155,685</u>

The accompanying notes are an integral part of these financial statements.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Statements of Cash Flows****Years Ended December 31, 2005 and 2004****Page 18**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of Loss from Operations to Net Cash Used in Operating Activities</b>		
Loss from Operations	\$ (1,958,790)	\$ (2,950,601)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	843,193	813,575
Non-cash line repair and maintenance expenses	-	25,000
(Increase) decrease in assets:		
Accounts receivable	13,076	(98,948)
Unremitted tax liens	(1,868)	11,826
Prepaid insurance	(13,730)	-
Inventory	(3,116)	1,414
Increase (decrease) in liabilities:		
Accounts payable	(343,426)	292,940
Deposits liability	4,224	4,100
Deferred revenue	65,458	87,935
Accumulated sick leave liability	25,875	3,967
Accrued payroll and taxes	(10,254)	180
<b>Net Cash Used In Operating Activities</b>	<u><u>\$ (1,379,358)</u></u>	<u><u>\$ (1,808,612)</u></u>

The accompanying notes are an integral part of these financial statements.

# SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1

## Notes to Financial Statements

December 31, 2005 and 2004

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### 1. ORANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Salt Lake City Suburban Sanitary District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

#### Reporting Entity

The Salt Lake City Suburban Sanitary District #1, (the District) is an agency of the State of Utah organized during 1946 as a special service district for the purpose of providing sewer services. The State of Utah has no oversight responsibility over the District; therefore, the District is not reported as a component unit of the State of Utah. The District has no oversight responsibilities over any other government entities.

#### Measurement Focus and Basis of Accounting

The District is an enterprise fund, which is included under the proprietary fund type. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the District applies all applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB.

On January 1, 2004, the District adopted the provisions of GASB Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets or balance sheet, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

1. ORANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

*Restricted* – This component of net assets consists of constraints placed on the net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Inventory

Inventory is valued using the first-in-first-out method (FIFO). Inventory is recorded at the lower of cost or market. Obsolete inventory is written off in the period it is deemed worthless.

Investments

Investments are carried at market value or cost where market value is not determinable. Investments are amortized from the date of purchase to scheduled maturity dates and the unamortized amounts are included in the cost of the investments.

The District has certain reserves set aside to provide for future sewer line and plant expansion. The funding philosophy of the District is to have reserves available for projects that may arise rather than bond again or use debt financing. In 1989, the District’s Board of Trustees established specific reserves to provide funds for lines and plant renewal, upgrading and expansion to insure sufficient capacity for future growth, and to meet requirements mandated by the Utah State Board of Health and the United States Environmental Protection Agency. Accordingly, two special accounts were created with an escrow agent for the “Dedicated Sewer Line Repair, Replacement and Expansion Fund” and the “Dedicated Treatment Plant Repair, Replacement and Expansion Fund”. These investments consist of investments in the Utah Public Treasurer’s Investment Fund and are classified as non-current investments in the balance sheet.

**1. ORANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

Capital assets are recorded at either historical cost or estimated historical cost. Normal maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. The net book value of property sold, or otherwise disposed of, is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included in income.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Sewer mains and system	50 years
Office building, garage and improvements	5-40 years
Furniture and fixtures	8 years
Automobile and trucks	5 years
Tools and equipment	8 years

Deferred Revenue

Sewer fees are billed to customers in advance of the period in which the expenses are to be incurred. Those sewer fees received in advance of the period of expense are shown in the accompanying financial statements as deferred revenue. Sewer fees are recognized as revenue as they are earned throughout the year.

Contributed Sewer Lines

The District receives title to various sewer lines that have been constructed by real estate developers. The District must certify that all sewer lines meet required specifications. Upon certification, the District records the fair value of the sewer lines as property and are depreciated under the depreciation policies of the District.

# **SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**

## **Notes to Financial Statements**

**December 31, 2005 and 2004**

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### **1. ORANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Vacation does not accumulate from year to year. Unused sick leave can be accumulated up to 1,080 hours and must be used by employees at retirement as follows: 1) sick leave must be cashed out at one fourth the accumulated value, and 2) the remaining accumulated value must be used to pay for health care premiums from retirement date until fully expended, the balance is also available for a Medicare supplement until fully expended. Employees that are terminated before retirement forfeit any sick leave benefits.

#### Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are sewer fees for conveyance and wastewater treatment services. Although property tax revenues are for maintenance and operations, they are classified as non-operating revenues in accordance with GASB 34 and GASB 9.

Operating expenses include the costs associated with the conveyance and treatment of wastewater, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### Pension Plans

The District participates in the State Retirement System. Pension cost is combined with employee benefits and is recorded on an accrual basis. The District's policy is to fund pension costs as they occur.

#### Property Tax Revenues

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. The county assessor must make a valuation of all real property every year. Property taxes are delinquent after November 30. The District's tax rate for 2005 and 2004 was .000233 and .000243, respectively. The statutory maximum set by the state is .0008 for operations and maintenance. There is no maximum for reduction of general obligation bonds.



**1. ORANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Accounting

For management and control purposes, the District adopts and maintains an annual budget, which is maintained on a cash basis. Items budgeted, but not expended, are not carried over to succeeding years. Each budget item must be re-approved each year.

Income Taxes

The District is exempt from all federal and state income taxes as a political division created by Utah State Law.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**

**Notes to Financial Statements**

**December 31, 2005 and 2004**

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**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

The balance sheet captions, which relate to deposits and investments, are summarized as follows:

	<u>2005</u>	<u>2004</u>
Cash	\$ 140,077	\$ 123,284
Investments	8,219,775	2,269,274
Non-current investments	<u>6,268,076</u>	<u>6,268,076</u>
	<u>\$14,627,928</u>	<u>\$ 8,660,634</u>

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005 and 2004, the carrying amount of the District's cash was \$140,077 and \$123,284; respectively, and the bank balance was \$292,985 and \$135,699, respectively. Of the bank balance, \$100,000 was covered by Federal depository insurance and the remaining balances were held in a sweep account invested in short-term U.S. Government Securities and, therefore, may be exposed to certain credit risk.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse purchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasure including bills, notes, and bonds; bonds, notes or other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Notes to Financial Statements****December 31, 2005 and 2004****Page 25****2. DEPOSITS AND INVESTMENTS (CONTINUED)**Investments (Continued)

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of pool shares.

As of December 31, 2005, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$14,487,851	\$14,487,851			

As of December 31, 2004, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$8,537,350	\$8,537,350			

## 2. DEPOSITS AND INVESTMENTS (CONTINUED)

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act previously discussed. As of December 31, 2005 and 2004, the District's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon the total dollar amount held in the portfolio.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**

**Notes to Financial Statements**

**December 31, 2005 and 2004**

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**3. CAPITAL ASSETS**

A summary of the District's capital asset activity and accumulated depreciation for the years ended December 31, 2005 and 2004 follows:

December 31, 2005

CAPITAL ASSETS				
	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Assets not being depreciated:				
Land	\$ 449,836	-	-	449,836
	449,836	-	-	449,836
Assets being depreciated:				
Sewer main	6,107,229	63,788	-	6,171,018
Sewer systems	20,358,692	-	-	20,358,692
Office & garage	1,912,984	-	-	1,912,984
Furniture & fixtures	837,264	22,985	-	860,249
Automobiles & trucks	1,435,430	127,717	(126,508)	1,436,639
Tools & equipment	711,262	82,244	-	793,506
	<u>31,362,861</u>	<u>296,734</u>	<u>(126,508)</u>	<u>31,533,088</u>
	<u>\$ 31,812,697</u>	<u>\$ 296,734</u>	<u>\$ (126,508)</u>	<u>\$ 31,982,924</u>

ACCUMULATED DEPRECIATION				
	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Sewer main	\$ 2,768,636	\$ 122,680	\$ -	\$ 2,891,316
Sewer systems	12,950,751	407,174	-	13,357,925
Office & garage	918,561	57,416	-	975,977
Furniture & fixtures	703,251	53,235	-	756,486
Automobiles & trucks	1,048,769	144,225	(126,508)	1,066,486
Tools & equipment	552,439	58,464	-	610,903
	<u>\$ 18,942,407</u>	<u>\$ 843,193</u>	<u>\$ (126,508)</u>	<u>\$ 19,659,093</u>

SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1  
Notes to Financial Statements  
December 31, 2005 and 2004

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3. CAPITAL ASSETS (CONTINUED)

December 31, 2004

CAPITAL ASSETS				
	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Assets not being depreciated:				
Land	\$ 449,836	-	-	449,836
	449,836	-	-	449,836
Assets being depreciated:				
Sewer main	6,077,071	30,158	-	6,107,229
Sewer systems	20,358,692	-	-	20,358,692
Office & garage	1,912,984	-	-	1,912,984
Furniture & fixtures	813,185	24,079	-	837,264
Automobiles & trucks	1,336,315	170,274	(71,159)	1,435,430
Tools & equipment	679,835	31,427	-	711,262
	31,178,082	255,938	(71,159)	31,362,861
	<u>\$ 31,627,918</u>	<u>\$ 255,938</u>	<u>\$ (71,159)</u>	<u>\$ 31,812,697</u>

ACCUMULATED DEPRECIATION				
	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Sewer main	\$ 2,646,614	\$ 122,022	\$ -	\$ 2,768,636
Sewer systems	12,543,577	407,174	-	12,950,751
Office & garage	860,942	57,619	-	918,561
Furniture & fixtures	644,221	59,030	-	703,251
Automobiles & trucks	1,000,832	119,096	(71,159)	1,048,769
Tools & equipment	503,805	48,634	-	552,439
	<u>\$ 18,199,991</u>	<u>\$ 813,575</u>	<u>\$ (71,159)</u>	<u>\$ 18,942,407</u>

#### **4. PROPERTY TAX REVENUE**

The District's tax rate is .000233. During 1999, the District repaid all of its general obligation bonds and the portion of property tax revenue that was originally allocated to repay the general obligation bonds was reallocated, by board resolution, to meet the operating and maintenance needs of the District.

Property tax revenues are derived from four major sources: (1) general property assessments on real estate and improvements to real estate, (2) personal property assessments on mobile homes, business equipment, etc., (3) age based assessments on motor vehicles, and (4) delinquent tax collections, interest, and fees.

Property tax revenue for the years ended December 31, 2005 and 2004 was as follows:

	<u>2005</u>	<u>2004</u>
Total property taxes for the year	<u>\$ 1,518,366</u>	<u>\$ 1,529,984</u>
Property tax receivable at December 31	<u>\$ 21,299</u>	<u>\$ 20,788</u>

#### **5. UNREMITTED PROPERTY LIENS**

Unremitted property liens as of December 31, 2005 and 2004, in the amount of \$41,702 and \$39,834 respectively, represent the total amount of past due accounts receivable which have been referred to the Salt Lake County Treasurer's office for attachment to the related real estate property as liens. However, in 2004 the Utah State Legislature passed HB56 which prohibits the District from collecting from the current owner a previous owner's arrearage for sewer service provided to the property before the current owner's ownership, absent a valid lien. Most of these amounts may not be collectible because of the District's inability to terminate or monitor service and track owners if they move without paying for their service. This will make it necessary to establish a reserve for uncollectible accounts in the future.

#### **6. INVESTMENT IN CVWRF JOINT VENTURE**

During 1978, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized under the name of Central Valley Water Reclamation Facility (CVWRF) to operate a regional sewage treatment facility for the benefit of all its members. The joint venture is owned by each of the seven members and is administered by a seven-member board. Each member appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations subject to the approval

6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)

by each of the seven members. Each member is billed its share of operation and capital costs based on the members usage and ownership percentage.

The District incurred the following costs from the CVWRF joint venture:

	<u>2005</u>	<u>2004</u>
Treatment costs	\$ 1,689,561	\$ 1,641,163
Administration	282,237	275,038
Pretreatment costs	7,829	18,643
Laboratory	127,573	113,408
Interception monitoring	8,093	8,859
Engineering and safety	<u>102,068</u>	<u>102,717</u>
	<u>\$ 2,217,361</u>	<u>\$ 2,159,282</u>

The District accounts for its investment in CVWRF joint venture using the equity method of accounting. The following is a summary of the CVWRF joint venture's financial position as of December 31, 2005 and 2004, and the results of its operations for the years then ended. The amounts at December 31, 2005 and 2004 were obtained from audited financial statements provided by Central Valley Water Reclamation Facility and are available on the Utah State Auditor's website at [www.sao.state.ut.us](http://www.sao.state.ut.us).



6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)

	2005	2004
Current assets	\$ 5,686,963	\$ 4,064,757
Capital assets, net	110,173,934	109,906,512
Notes receivable	211,529	406,463
Due from members	21,700,000	-
Other assets	<u>93,711</u>	<u>93,711</u>
Total assets	<u>\$ 137,866,137</u>	<u>\$ 114,471,443</u>
Current liabilities	\$ 3,007,959	\$ 1,840,888
Noncurrent liabilities	30,661,529	1,656,463
Net assets	<u>104,196,649</u>	<u>110,974,092</u>
Total liabilities and equity	<u>\$ 137,866,137</u>	<u>\$ 114,471,443</u>
Operating revenues	\$ 9,475,300	\$ 9,324,689
Operating expenses	<u>16,035,188</u>	<u>15,861,300</u>
Net operating loss	(6,559,888)	(6,536,611)
Other	<u>217,555</u>	<u>3,143,021</u>
Net loss	<u>\$ (6,777,443)</u>	<u>\$ (3,393,590)</u>

The member entities have decided not to fund depreciation and amortization through contributions to the joint venture. The offset is, in effect, a reduction of member contributions for the CVWRF joint venture in the equity section and reflects the need for contributions in future years.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1****Notes to Financial Statements****December 31, 2005 and 2004****Page 32****6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)**

The District's investment in CVWRF joint venture for the years ended December 31, 2005 and 2004 is \$27,803,141 and \$28,405,452, respectively. Change in the investment is summarized as follows:

Investment at January 1, 2005	\$ 28,405,452
Capital contributions	502,849
Capital distributions	(436,771)
Net cash adjustment in ownership	(754,134)
Investment in secondary clarifiers	1,802,313
Loss from CVWRF joint venture	(1,716,568)
Investment at December 31, 2005	<u>\$ 27,803,141</u>

**7. DUE TO MEMBER**

During the year, the CVWRF issued taxable sewer revenue bonds totaling \$35,000,000 to fund the post-1993 ownership of the treatment facility. The bonds bear interest at 3.00%. The District's share of the bonds is \$7,127,327.

A portion of the revenue bonds issued during 2005 was distributed to the members. Although the bonds are in the name of CVWRF, the members are responsible to fund debt service requirements over the life of the bonds. The amount distributed to members in 2005 was \$23,000,000. Additional bond funds drawn down as of December 31, 2005 (\$7,500,000) are being used to construct secondary clarifiers at CVWRF. The District's share of the \$23,000,000 is \$4,408,642. The District's share of the \$7,500,000 is \$1,802,314. Therefore, the District's total obligation for debt service at December 31, 2005 is \$6,210,956 (\$5,945,707 long-term and \$265,249 current).

CVWRF revenue bond debt service requirements to maturity are as follows:

Year	Payment	Principle	Interest
2006	\$ 445,839	\$ 265,249	\$ 180,590
2007	451,262	272,875	178,387
2008	445,112	274,911	170,201
2009	440,937	278,984	161,953
2010	448,859	295,275	153,584
2011-2015	2,238,225	1,608,739	629,486
2016-2020	2,214,012	1,838,850	375,162
2011-2025	1,467,435	1,376,073	91,362
Total	<u>\$ 8,151,681</u>	<u>\$ 6,210,956</u>	<u>\$ 1,940,725</u>

**8. PENSION PLAN**

**Plan Description.** The District contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (The Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** The District is required to contribute 11.09% of the annual covered salary for the period beginning January 2005 through June 2005, and 11.09% of the annual covered salary for the period beginning July 2005 through December 2005. The contribution rates are actuarially determined rates and contribution requirements are authorized by statute and specified by the Board.

The District's contributions to the Noncontributory System for the years ending December 31, 2005, 2004, and 2003 were \$143,192, \$123,770, and \$106,349, respectively. The contributions were equal to the required contributions for each year.

The District also participates in the State's 401(k) Plan. Employees covered by any of the State retirement plans are eligible to participate. The Board of the Systems administers this plan.

The District incurred expense for employer-paid contributions to the 401(k) Plan for the years ended December 31, 2005, 2004, and 2003 of \$34,216, \$31,667, and \$30,755, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

At times the District has been involved in unasserted claims or assessments in the ordinary course of operations. Any potential gain or loss contingencies resulting from such matters are not considered to be material.

**SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1**

**Notes to Financial Statements**

**December 31, 2005 and 2004**

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**10. EXCESS PROPERTY TAXES PAYABLE**

The District received excess property tax revenues from Salt Lake County during the year ended December 31, 2005 of \$102,833.

**OTHER REPORTS**



## **REPORT OF INDEPENDENT AUDITORS ON STATE LEGAL COMPLIANCE**

To the Board of Trustees of  
Salt Lake City Suburban Sanitary District #1

We have audited the financial statements of Salt Lake City Suburban Sanitary District #1, for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 15, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation

Other Compliance Requirements  
Special Districts  
Impact Fees

The District did not receive any major or nonmajor State grants during the years ended December 31, 2005 and 2004.

The management of Salt Lake City Suburban Sanitary District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audits provide a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

**To the Board of Trustees of  
Salt Lake City Suburban Sanitary District #1  
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In our opinion, Salt Lake City Suburban Sanitary District #1, complied in all material respects, with the general compliance requirements identified for the years ended December 31, 2005 and 2004.

This report is intended for the use of the District's management, Board of Trustees and applicable state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Huber, Erickson & Bowman", written in dark ink.

**HUBER, ERICKSON & BOWMAN, LLC.  
Certified Public Accountants  
March 15, 2006**



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
Salt Lake City Suburban Sanitary District #1:

We have audited the financial statements of Salt Lake City Suburban Sanitary District #1 as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 15, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Salt Lake City Suburban Sanitary District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

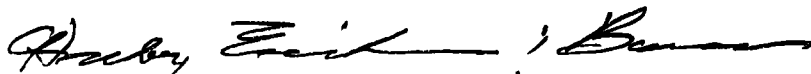
**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Salt Lake City Suburban Sanitary District #1's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.



To the Board of Trustees of  
Salt Lake City Suburban Sanitary District #1  
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This report is intended for the information and use of the Board of Trustees, management, and applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, likely representing the firm Huber, Erickson & Bowman, LLC. The signature is written in dark ink and is positioned above the printed name of the firm.

HUBER, ERICKSON & BOWMAN, LLC.  
Certified Public Accountants  
March 15, 2006